

May23, 2016

To Whom It May Concern:

Funai Electric Co., Ltd.  
Representative Director  
President and CEO: Tomonori Hayashi  
(Code No.: 6839 First Section of TSE)

## Notice of Issuance of Stock Options via Stock Acquisition Rights

**Osaka, Japan**— Funai Electric Co., Ltd. (“Funai”) announces that following the resolution by the Board of Directors to determine the offering details of an issuance of stock acquisition rights as stock options to directors(excluding directors who are Audit and Supervisory Committee members and outside directors),executive officers, employees of Funai and our consolidated subsidiaries in accordance with Articles 236, 238, and 239 of the Corporation Law, the decision was made in today’s Board of Directors Meeting to discuss the aforementioned issuance, detailed below, at the 64<sup>th</sup> annual General Shareholders Meeting scheduled for June 28, 2016.

### 1. Reasons necessitating the offer of stock acquisition rights with particularly favorable conditions

In order to increase morale and the desire to improve performance; secure superior personnel; and increase the value of the company, stock acquisition rights will be issued as stock options.

### 2. Details and maximum number of stock acquisition rights for which offering terms may be determined based on delegation by resolution of the General Meeting of Shareholders

#### (1) Types and number of shares associated with stock acquisition rights

The maximum number of Company common shares shall be 180,000.

Should the Company conduct stock splits (including gratis stock issues; the same hereinafter) or consolidations, the following method will be used to adjust the number of shares associated with each stock acquisition rights. However, such adjustments will only be made for stock acquisition rights issued as part of this announcement that have not been exercised as of the time of the adjustment. Furthermore, fractional sums of less than one share will be rounded off.

Number of shares after adjustment = number of shares before adjustment x split (or consolidation) ratio

Additionally, the number of shares associated with stock acquisition rights may be adjusted within reason should the Company merge through acquisition or consolidation, absorb a split-off, incorporate a split-off, engage in stock swaps or equity transfers that become effective following the conclusion of the General Shareholder’s Meeting, or for other unavoidable reasons.

#### (2) The number of stock acquisition rights

The maximum number of stock acquisition rights shall be 1,800.

The number of shares to be issued per one stock acquisition right shall be 100; provided, however, that if any adjustment to the number of shares to be issued for stock acquisition rights is made under the provision in (1) above, a similar adjustment will be made.

(3) Monetary payment in exchange for stock acquisition rights

No monetary payments in exchange for stock acquisition rights are necessary.

(4) Value and calculation method of assets to be paid in upon exercise of stock acquisition rights

The value of assets to be paid in upon exercise of each new share subscription right shall be the per-share value (hereinafter “exercise price”) determined by the following method, multiplied by the number of shares associated with each new share subscription right as defined previously in (2).

The exercise price shall be either the average closing price (hereinafter “closing price”) of the Company’s common stock on the Tokyo Securities Exchange of each trading day (except days when Company stock was not traded) in the month prior to the date of the stock acquisition rights issuance (hereinafter “issue date”) multiplied by 1.05 (remainders of less than one yen will be rounded up) or the closing price on the issue date (or, if there is no closing price on the issue date, the closing price from the most recent trading day), whichever value is higher.

If the Company conduct stock splits or consolidations after the issue date of stock acquisition rights, the exercise price will be adjusted according to the following formula, with remainders of less than one yen rounded up.

Exercise price after adjustment = exercise price before adjustment x 1 / (split [or consolidation] ratio)

Should the Company issue new shares or dispose of treasury shares at a price below market value following the conclusion of the General Shareholder’s Meeting, the exercise price will be adjusted according to the following formula, with remainders of less than one yen rounded up.

Exercise price after adjustment = exercise price before adjustment x (number of currently issued shares + (number of newly issued shares x amount paid per share) / market value before new issuance) / (number of currently issued shares + number of newly issued shares)

The “number of currently issued shares” in the formula above is arrived at by subtracting the number of common Company treasury shares from the total number of outstanding common Company shares. Additionally, should the Company dispose of common treasury shares, “number of newly issued shares” and “amount paid per share” shall be replaced by “number of treasury shares to be disposed of” and “disposal price per share,” respectively. Furthermore, the exercise price may be adjusted within reason should the Company merge through acquisition or consolidation, absorb a split-off, incorporate a split-off, engage in stock swaps or equity transfers, or for other unavoidable reasons.

(5) Exercise period for stock acquisition rights

Stock acquisition rights may be exercised between September 1, 2018, and August 31, 2023. Should the final day of the exercise period for stock acquisition rights fall on a Company holiday, the previous business day shall be considered the final day.

(6) Conditions for exercising stock acquisition rights

1) The number of stock acquisition rights that may be exercised in a single year (from September 1 to August 31 of the following year) during the exercise period for new subscription rights shall be based upon standards determined by the Board of Directors.

Additionally, should the owner of stock acquisition rights fail to exercise all, or a portion of, eligible stock acquisition rights during any year in the exercise period, his or her remaining stock acquisition rights from that year may be carried over into subsequent fiscal years until the end of the exercise period.

2) The holder of stock acquisition rights may not exercise those rights in any year (from September 1 to August 31 of the following year) during the exercise period described in (6) above without receiving authorization from the Company.

3) Persons who have been allocated stock acquisition rights must at the time of exercise of the rights hold a position in the Company or an affiliate of the Company as a director, corporate auditor, executive officer, or employee.

4) The stock acquisition rights may not be transferred, pledged or otherwise hypothecated, or inherited.

(7) Notes concerning increases in capital and capital reserves should shares be issued due to the exercise of stock acquisition rights

1) The value of the capital increase due to the issuance of shares when stock acquisition rights are exercised shall be 1/2 of the increase in capital value as calculated according to Article 17, Paragraph 1 of the Company accounting regulations, with remainders of less than one yen resulting from the calculations rounded up.

2) The value of the capital reserve increase due to the issuance of shares when stock acquisition rights are exercised shall be calculated by subtracting the increased capital value defined in 1) from the increase in capital defined in 1).

(8) Limitations on acquiring stock acquisition rights through assignment

Acquiring stock acquisition rights through assignment requires the approval of the Company's Board of Directors.

(9) Causes for acquisition of stock acquisition rights

1) The Company may acquire unexercised stock acquisition rights without payment on a date to be decided separately by the Company's Board of Directors should a measure to approve a merger agreement under which the Company will cease to exist, or a measure to approve an exchange of shares or equity transfer through which the Company will become a wholly owned subsidiary, be approved at a General Shareholders Meeting (or upon approval by the Company Board of Directors if approval at a General Shareholders Meeting is not required).

2) The Company may acquire unexercised stock acquisition rights without payment on a date to be decided separately by the Company's Board of Directors should the exercise rights become lost in accordance with conditions stipulated above in (6).

3) Should a holder of stock acquisition rights abandon all, or a portion, of his or her stock acquisition rights, the Company may acquire those rights without payment on a date to be decided separately by the Company's Board of Directors.

(10) Handling of stock acquisition rights should the Company be restructured

Should the Company merge (limited to cases in which the Company would cease to exist due to merger), absorb a split-off, incorporate a split-off, engage in share swaps or equity transfers (hereinafter collectively "restructuring"), the Company may issue stock acquisition rights for the company created under *i to ho* of Article 236, Paragraph 1, Article 8 of the Corporation Law (hereinafter "restructured company") to holders of unexercised stock acquisition rights as of the effective date of restructuring based upon the conditions below. In this case, the unexercised stock acquisition rights would cease to exist and the restructured company would newly issue its own stock acquisition rights. However, issuances of stock acquisition rights from the restructured company in accordance with the conditions below are limited to instances in which they are defined in merger agreements, split-off absorption agreements, split-off incorporation plans, share swap agreements and equity swap plans.

1) Number of restructured company stock acquisition rights to be issued

The number of restructured company stock acquisition rights issued shall be the same as the number of unexercised Company new share subscriptions rights held.

2) Types of restructured company shares associated with stock acquisition rights

Shares shall be common shares of the restructured company.

3) Number of restructured company shares associated with stock acquisition rights

To be decided based upon (1) above after giving consideration to the conditions of the restructuring.

4) Value of assets to be paid in upon exercise of stock acquisition rights

The value of assets to be paid in upon exercise of each allocated new share subscription right shall, after giving consideration to the conditions of the restructuring, be determined by multiplying the price to be paid after restructuring, calculated by adjusting the exercise price as defined earlier in (4), by the number of restructured company shares associated with the new share subscription right as defined above in 3).

5) Exercise period for stock acquisition rights

The exercise period shall extend from either the starting date of the exercise period for new share subscriptions defined in (5) above or the effective restructuring date, whichever is later, to the expiration of the exercise period for new share subscriptions defined in (5) above.

6) Conditions for exercising stock acquisition rights

To be determined according to (6) above.

7) Notes concerning increases in capital and capital reserves should shares be issued due to the exercise of stock acquisition rights

To be determined according to (7) above.

8) Limitations on acquiring stock acquisition rights through assignment

Acquiring stock acquisition rights through assignment shall require the approval of the restructured company.

9) Causes for acquisition of stock acquisition rights

To be determined according to (9) above.

(11) Handling of fractional shares resulting from the exercise of stock acquisition rights

Fractional sums of less than one share arising when shares are issued to a holder of stock acquisition rights as a result of the exercising of his or her rights shall be rounded off.

(12) Other Matters

Other matters relating to stock acquisition rights shall be determined by a resolution of the Board of Directors.

For further information, please contact  
Investor and Public Relations

E-mail: [investor\\_relations@funai.co.jp](mailto:investor_relations@funai.co.jp)